

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AID-05 CEQ-01 CIAE-00 OFA-01

COME-00 DODE-00 EB-07 EPA-01 INR-07 IO-10 L-02 NSF-01

NSC-05 NSAE-00 PM-03 OES-03 SS-15 SP-02 ERDA-05

CEA-01 CIEP-01 FPC-01 H-02 INT-05 OMB-01 SAM-01

STR-01 TRSE-00 FRB-03 DOTE-00 FMC-01 CG-00 DLOS-03

PA-01 USIA-06 PRS-01 /110 W  
----- 072706

R 071759Z MAR 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5841

C O N F I D E N T I A L OTTAWA 0840

E.O. 11652: GDS

TAGS: EWWT, ENRG, CA

SUBJ: APPLICATION FOR CONSTRUCTION REFINERY,  
EASTPORT, MAINE

REF: OTTAWA 748

1. EXTAFD DIRECTOR FOR US AFFAIRS SHORTLIFFE CALLED IN  
POL COUNSELOR MARCH 6 TO DELIVER THE FOLLOWING AIDE  
MEMOIRE, INDICATING THAT PARALLEL APPROACH WAS BEING  
MADE BY CANADIAN EMBASSY IN WASHINGTON TO DEPUTY ASSISTANT  
SECRETARY VINE:

"THE CANADIAN GOVERNMENT HAS CONSISTENTLY OPPOSED  
THE CONSTRUCTION OF A SUPER-PORT AND OIL REFINERY AT  
EASTPORT, MAINE, ON THE GROUNDS THAT SUPERTANKER TRAFFIC  
TO AND FROM THAT PORT COULD ONLY PROCEED BY WAY OF THE  
WATERS OF CANADA'S HEAD HARBOUR PASSAGE. THE CANADIAN  
GOVERNMENT CONSIDERS THE GRAVE ENVIRONMENTAL RISKS PRE-  
SENTED BY THE PASSAGE OF COMMERICAL TRAFFIC THROUGH  
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THESE WATERS TO BE UNACCEPTABLE. THIS VIEW WAS EXPRESSED

TO THE UNITED STATES STATE DEPARTMENT IN A NOTE OF  
JUNE 7, 1973 AS WELL AS MOST RECENTLY IN A NOTE OF  
AUGUST 17, 1974.

"SHOULD THE MAIN ENVIRONMENTAL PROTECTION BOARD  
DECIDE IN FAVOUR OF THE PITTSTON APPLICATION, THE  
CANADIAN GOVERNMENT WOULD PROMULGATE REGULATIONS  
UNDER PART XX OF THE CANADA SHIPPING ACT LIMITING  
THE AMOUNT OF OIL AND/OR OIL PRODUCTS THAT MAY BE  
CARRIED THROUGH THE WATERS OF HEAD HARBOUR PASSAGE.  
HOWEVER, THE CANADIAN GOVERNMENT WILL BE ENCOURAGED  
WERE THE MAIN ENVIRONMENTAL PROTECTION BOARD TO DETER-  
MINE THAT THE ENVIRONMENTAL RISK OF SUCH TRAFFIC  
THROUGH HEAD HARBOUR PASSAGE WAS UNACCEPTABLE, AND  
UNDER SUCH CIRCUMSTANCES, WOULD NOT REGULATE AT THIS  
TIME. OTTAWA, MARCH 6, 1974."

2. SHORTLIFFE STRESSED THAT GOC, WHICH HAD ASSUMED  
THAT MAIN ENVIRONEMTAN PROTECTION BOARD DECISION  
WOULD BE IN FAVOR OF PITTSTON APPLICATION, WAS GREATLY  
ENCOURAGED BY REPORTS OF MARCH 3 BOARD MEETING WHICH  
APPEARED TO RULE OUT THE PASSAGE OF CRUDE-BEARING  
TANKERS THROUGH THE HEAD HARBOUR PASSAGE. CONSEQUENTLY,  
THE ISSUANCE OF REGULATIONS UNDER THE SHIPPING ACT IS  
AN ACTION CONTEMPLATED IN THE EVENT OF A CONTINGENCY  
WHICH GOC NOW HAS HOPES WILL NOT ARISE. HE ADDED THAT  
GOC INTENTION TO REGULATE WOULD BE IMPLEMENTED IF  
OUTBOUND PRODUCT TANKERS APPROVED BY MAIN BOARD EVEN  
IF INABOUND CRUDE TANKERS NOT PERMITTED. HE ADVISED THAT  
IF MAINE BOARD DECIDES IN FAVOR OF PITTSTON, GOC PREPARED  
TO ACT VERY QUICKLY, STATING THAT REGULATIONS WOULD BE  
ISSUED ON MARCH 14 IF MARCH 12 RULING UNFAVORABLE TO  
CANADIAN INTERESTS. HE DI NOT SPECIFY PRECISELY LIMI-  
TATIONS OF AMOUNTS OF CRUDE OR PRODUCTS, BUT INDICATED  
THAT QUANTITIES AND THEREFORE SIZE OF TANKERS WOULD BE  
SMALL, SO SMALL AS TO RENDER REFINERY OPERATION UNECONOMICAL.  
HE NOTED THAT REGULATIONS IF ISSUED WOULD APPLY ONLY TO  
HEAD HARBOUR PASSAGE.

3. SHORTLIFFE SAID THAT HE RECOGNIZED THAT PROPOSED  
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CANADIAN ACTION WOULD RULE OUT USE OF EASTPORT FOR RE-  
FINERY. SHOULD THIS BE THE CASE, GOC WAS PREPARED TO MEET  
WITH APPROPRIATE US OFFICIALS TO STUDY THE WHOLE QUESTION  
OF USE OF DEEPWATER PORTS, EXCEPT EASTPORT, IN THE AREA  
OF MAINE AND NEW BRUNSWICK, RECOGNIZING THE UNEMPLOYMENT AND  
ENERGY SCARCITY PROBLEMS THAT THE US FACES IN THAT AREA,  
AS INDEED DOES CANADA. HE REFERRED IN THIS CONTEXT TO 1973  
CORPS OF ENGINEERS STUDY WHICH FOUND EASTPORT TO BE LEAST

DESIRABLE DEEPWATER PORT IN NORTHERN ATLANTIC COAST AREA.

4. SHORTLIFFE SAID GOC INTENTION IS THAT NO PUBLIC STATEMENTS ABOUT EASTPORT WILL BE MADE BY GOC, ALWAYS ASSUMING THAT MINISTERS CAN BE KEPT QUIET, UNTIL MARCH 12 BUT THAT PUBLIC STATEMENTS WOULD INEVITABLY BE MADE THEREAFTER. HE STRESSED AGAIN GOC'S HOPES THAT IT WILL BE UNNECESSARY AT THIS TIME TO PROMULGATE REGULATIONS BUT, IF SO, HOPED THAT USG WOULD LOOK UPON TODAY'S DEMARCHES AS CONSTITUTING PRIOR CONSULTATIONS WHICH BOTH GOVERNMENTS HOPED WILL CHARACTERIZE RELATIONS. HE HOPED USG WOULD LOOK UPON THESE DEMARCHES AS EFFORT ON PART GOC TO "KEEP THE ROCKS OUT OF THE SNOWBALLS" (USING PHRASE COINED BY AMBASSADOR IN RECENT TORONTO SPEECH).

5. COMMENT: ALTHOUGH ISSUANCE OF PROPOSED REGULATIONS REMAINS HYPOTHETIC UNTIL MARCH 12 RULING, EMBASSY NOTES THAT REGULATIONS LIMITING SIZE OF OIL CARGOES PASSING THROUGH HEAD HARBOUR PASSAGE REPRESENTS ABROGATION BY GOC OF RIGHT UNILATERALLY TO IMPOSE DEFINITION OF WHAT CONSTITUTES "INNOCENT PASSAGE." DEPARTMENT MAY WISH CONSIDER RESPONDING TO AIDE MEMOIRE CHALLENGING GOC RIGHT TO DO SO. IF ALLOWED TO STAND UNCHALLENGED, GOC COULD CONCEIVABLY USE THIS AS PRECEDENT IN FUTURE CASES EVEN IF MAIN BOARD RULING RESULTS IN SATISFACTORY RESOLUTION OF HEAD HARBOUR PASSAGE ISSUE.

6 THE EMBASSY ALSO SUGGESTS THAT CANADIAN DEMARCHE, WHILE BASED ON CONCERN FOR ENVIRONMENT, MAY NOT BE ENTIRELY ALTRUISTIC. PARA 3 ABOVE, WHEN READ IN CONJUNCTION WITH PARA 6 REFTEL, SUGGESTS THAT GOC WOULD EITHER LIKE US TO BEAR ALL ENVIRONMENTAL RISKS (SUCH AS AT PORTLAND FOR OIL

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DELIVERIES TO CANADA), OR THAT IF CANADA IS TO BEAR ENVIRONMENTAL RISKS, THEY SHOULD ENJOY THE BENEFITS OF A CANADA-SITED REFINERY. PORTER

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